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Supreme Court, U. S.
FILED
AUG 3 1973
MICHAEL RODAK, JR., CLERK

No. 73-135

In the Supreme Court of the United States

OCTOBER TERM, 1972

KING NUT COMPANY,

Petitioner,

vs.

BEER NUTS, INC.,

Respondent.

BRIEF OF BEER NUTS INC. IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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Respondent prays that the Petition for Writ of Certiorari be denied.

QUESTION PRESENTED

Were the lower courts correct in holding that a trademark infringing defendant was bound by an admitted settlement agreement releasing the defendant from damages in exchange for discontinuing the infringement, and acquiescing in the ownership and validity of Plaintiff's Trade-

mark BEER NUTS, and could not in a later infringement circumvent the obligations it had incurred when it signed said settlement agreement, because public policy favors settlement of differences between disputing parties.

STATEMENT OF THE CASE

Respondent in this Petition was plaintiff below in an action for trademark infringement and unfair competition (A. 3-13).

Respondent, Beer Nuts, Inc. is a Delaware corporation of Bloomington, Illinois, and petitioner is an Ohio corporation of Cleveland, Ohio (A. 3, 9).

Petitioner agrees with respondent that the parties are competitors and that their nut products are similar, are sold through similar channels, to similar stores and over similar counters to similar types of customers (A. 5, 11).

Prior to 1955, respondent's predecessor, Brewster Food Services, a firm composed of E. C. Brewster and Janet Brewster, sold shelled and salted peanuts under the trademark BEER NUTS and obtained trademark registration No. 605,905 therefor, on the Principal Register of the United States Patent Office on May 10, 1955 (A. 3-4; 106-110; 99-105; 160-164).

Respondent, Beer Nuts, Inc., was incorporated in Delaware and said Brewster Food Service transferred its entire business together with an assignment of its trademark BEER NUTS and said Registration No. 605,905 to Beer Nuts, Inc. This assignment was recorded in the United States Patent Office and a new certificate on BEER NUTS was issued to Beer Nuts, Inc. on November 15, 1960 (A. 106-109; 99-105; 60-164). Respondent is the owner of the registered trademark BEER NUTS.

Petitioner, King Nut Company, began its infringing acts in 1958. First it admitted that it used BREW NUTS on its peanuts which it discontinued after a settlement agreement with Brewster Food Service releasing King Nut Company from any claim of damages and acquiescing in the ownership of the trademark BEER NUTS and Registration No. 605,905 as in respondent's predecessor Brewster Food Service and in the validity of the said registered trademark BEER NUTS (A. 4-5; 10, 17). Petitioner admitted the said settlement agreement in paragraph 11 of its answer (A. 10, 4-5). This agreement is reproduced in Petitioner's Appendix on pages 44 and 45.

Next, King Nut Company admits that it came out recently in August 1968 with nuts in packages bearing the trademark BEER NUTS and an overflowing glass of beer (A. 5-7; 11; 17; 19-20; 100-105). It claims that "upon being reminded by plaintiff of said 1958 agreement and being requested by plaintiff to discontinue the use of the word BEER on bags, it discontinued" (A. 11).

However, petitioner admitted that it continued to sell its nuts in bags "retaining on the bags the picture of an overflowing stein, mug or glass of beer" (A. 11; 5-8; 17-19; 100-105; 164).

The complaint in this case was filed under Section 32(1) of the Trademark Act of 1946 (15 U.S.C. 1114 which provides:

> "Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or serv-

> ices on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive; * * * shall be liable in a civil action by the registrant for the remedies hereinafter provided."

Petitioner's trademark infringement has been aggravated by its previous course of conduct in repeatedly approaching respondent's trademark BEER NUTS. Petitioner's copying with BREW NUTS was the first act. Its complete adoption of BEER NUTS was the second act and its use of an overflowing mug, stein or glass of overflowing beer was the third act.

Over a year after King Nut Company admitted in paragraph 11 of its answer the settlement agreement set forth in paragraph 11 of the complaint (A. 10, 4-5), it filed a motion to strike paragraph 11 of the complaint (A. 52-53). Respondent responded that petitioner was bound by its admission (A. 64-65).

On the same day petitioner also filed a motion for partial summary judgment on the ground that its picture of an overflowing stein, mug or glass of beer on its packages did not infringe the trademark BEER NUTS (A. 44-45). Respondent responded that its trademark was infringed by petitioner's picture as well as by the words BEER NUTS (A. 63).

The District Court denied petitioner's motion to strike paragraph 11 of the complaint as having been previously admitted (A. 99).

The District Court also denied petitioner's motion for partial summary judgment on authorities cited that a trademark is infringed by a pictorial display as well as by use

of words that are likely to cause confusion. The District Court held that petitioner was bound by the obligations it incurred when it signed the said settlement agreement with Brewster Food Services acquiescing in the validity of the trademark BEER NUTS and that the only fact remaining was whether respondent Beer Nuts, Inc. was the assignee of Brewster Food Service (A. 99-105).

Respondent filed the affidavit of James R. McKnight showing that the BEER NUTS trademark and registration therefore No. 605,905 had been duly assigned from Brewster Food Service to respondent Beer Nuts, Inc. (A. 106-107). The assignment is reproduced on A. 108 and a new certificate was issued on said BEER NUTS registration to Beer Nuts, Inc. by the United States Patent Office (A. 109-110). Petitioner then filed a mass of papers (A. 111-146), but made no genuine objection nor pointed out any defect in the assignment (A. 147-148). Respondent's response included a motion for summary judgment (A. 147-148).

The District Court then granted respondent's motion for summary judgment restraining petitioner from using BEER NUTS and/or a picture of a stein, mug or glass of overflowing beer (A. 160-164).

The complaint in this case was filed on April 1, 1969, so that the case was over three years old at the time of the appeal. During that period petitioner took no depositions to provide any proof as a basis for the arguments it makes in its brief, or in its petition herein.

The Court of Appeals affirmed the District Court, after stating that all of the contentions of the appellant (petitioner) had "been considered and found to be without merit." Petitioner has repeated all of these same arguments in this petition for writ of certiorari.

REASONS FOR DENYING THE WRIT

The record amply supports the decisions of both courts below. There is no conflict among the decisions of the circuits, and no holding of the courts below at variance with any decision of this court in a trademark infringement case.

In its petition the petitioner attacks the decisions below on primarily four arguments:

(1) The first attack is the argument in petitioner's statement, that respondent's trademark is descriptive of its goods which in reality are "shelled and salted peanuts" as set forth in respondent's registration (A. 109).

Petitioner keeps improperly arguing that its nuts are "commonly referred to as beer nuts." There is not one iota of evidence that any nuts of petitioner or any other seller are or ever have been referred to as beer nuts. Such an argument is unsupported and entirely without basis. The "shelled and salted peanuts" of respondent are sold under its registered trademark BEER NUTS and there is no evidence of any kind that this trademark is descriptive or has any other function than to designate respondent as the sole source of peanuts so marked. Beer does not describe respondent's shelled and salted peanuts. It is a catchy and fanciful term that forms part of respondent's trademark BEER NUTS.

(2) Petitioner's second attack argues that King Nut Company is not bound by its settlement agreement of September 15, 1958, appearing on pages 44 and 45 of the petition appendix.

There is no evidence in the record of any lack of validity in respondent's registered trademark BEER NUTS. It has been registered and reaffirmed under the Act, is in full force and effect, and according to the statute is prima facie valid. Petitioner, a three-time infringer is in no position to attack respondent's trademark. In fact, petitioner has acquiesced in respondent's mark and its validity and no reason is shown why it should not be bound thereby.

Petitioner is mistaken that there was no consideration in the agreement of September 15, 1958. King Nut Company was released from any claim of damages for its infringement up to the date of the agreement. This is, of course, consideration.

In the September 15, 1958 agreement, petitioner agreed not to use BREW NUTS, in further infringement of BEER NUTS and acquiesced in the BEER NUTS registered trademark. Naturally, under these circumstances, it is implied that petitioner will not infringe BEER NUTS by using it or a picture of an overflowing mug of beer. It is submitted that petitioner's argument to the contrary is without any basis in fact or logic.

Petitioner relies on patent cases but fails to provide a single pertinent trademark decision to support its argument. This is probably because a patent is a different kind of property than a trademark. A patent is created through legislative fiat by the grant of a government agency, whereas a trademark is created by use and is merely confirmed by registration. Petitioner has never been a licensee. It was and is an infringer. The reasons for attacking the government's issue of a patent are not present in the creation and adoption by use of a trademark. There are no legal precedents in trademark cases to permit the petitioner to escape from its commitment not further to infringe respondent's trademark.

The only authorities on the subject are cited in the Court of Appeals decision, on page 26 of Petitioner's appendix, holding that a contract made by him, is binding on a trademark infringer. These cases are *Peyrat* v. *L. N. Renault & Sons,* 247 F.S. 1009 S.D. N.Y. 1965, and *E. F. Prichard Co.* v. *Consumers Brewing Co.,* 136 F. 2nd 512, 522 (6th Cir. 1943). In this last case, this Court denied certiorari in 321 U.S. 763 (1944).

(3) Petitioner's third attack argues that respondent is guilty of false patent marking. There is no evidence to support this claim, and it is entirely without basis. Such contention apparently thrown up below for what it was worth was considered and "found to be without merit."

(4) Petitioner's fourth attack argues that the granting of the motion for Summary Judgment denied petitioner the opportunity to proceed further. By this time the case was over three years old, and petitioner had not taken a single deposition.

Petitioner cites an administrative case on pages 17 and 18 of its petition. In this patent office opposition the Court of Customs and Patent Appeals merely held that Schnaps Nuts so differed from Beer Nuts that the patent office should grant registration of Schnaps Nuts.

Petitioner's fourth attack argues that the granting of summary judgment denied petitioner the opportunity to raise new issues.

On April 11, 1972, the District Court filed a Memorandmm and Order (A. 172-174), that "the only remaining issue before the Court was whether plaintiff is the assignee of Brewster Food Service to the trademark BEER NUTS." The Court further stated that "if plaintiff is, summary judgment will be entered on its behalf." (A. 172).

Petitioner then filed (1) a motion to compel answers to further interrogatories, 2) additional requests for admissions, and (3) a motion for leave to file an amended answer and counterclaim (A. 117-146). They were all filed subsequent to April 11, 1972, and were denied by the District Court as having been filed after that date as decisional, and in view of the granting of summary judgment by the District Court on June 12, 1972, as moot. (A. 172-174, 160-164, 98-105). It is respectfully submitted that under the circumstances, after more than three years before the District Court, that petitioner has had more than its day in Court and that the District Court acted properly within its discretion.

CONCLUSION

Petitioner has presented no special or important reasons to compel the attention of this Court. It is submitted that the petition for writ of certiorari should be denied.

Respectfully submitted,

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